Joint Financial Management Improvement Program

JFMIP NEWS

A Newsletter for Government Financial Managers

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INSIDE

2000 Federal Financial Management Report

The U.S. Office of Management and Budget (OMB) and the Chief Financial Officers (CFO) Council recently distributed a draft annual report on financial management. The report highlights how far Federal financial management has come in the past decade (since the passage of the CFO Act of 1990), and outlines what needs to be done in the future.

Accountability to the Public

In the past decade, the issuance of audited financial statements by agencies has been an important step toward more accountability to the public. In October 1999, Federal accounting standards issued by the Federal Accounting Standards Advisory Board (FASAB) were recognized by the American Institute of Certified Public Accountants (AICPA) as GAAP (generally accepted accounting principles).

The 24 largest departments and agencies in the Federal government now issue financial statements annually and the Federal Government issued its third government-wide financial statement. More agencies have improved the timeliness and quality of agency financial statements, with 14 agencies receiving clean opinions on their financial statements for FY 1999.

Reliable Financial Systems

Agencies must have financial systems that provide reliable and timely financial information to improve decision making. The Federal Financial Management Improvement Act (FFMIA) of 1996 requires that agencies have financial management systems that comply with Federal financial system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

The heads of six CFO Act agencies have determined that their agencies complied with all three requirements. OMB and the CFO Council are placing

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CFO Fellows: (Back Row, L to R) Len Bechtel, Pat Clark, Tracy Dahbura, Adolphus Hawkes; (Front Row, L to R) Tyndall Traversa, Deborah Staton-Wright, Steve Nash, Lou Pennock. See article on page 12.

Joint Perspective

FY 2000 marks a transition for the Federal financial management vision, mission, techniques, and practices. This Joint Perspective article highlights some of the major changes with the Chief Financial Officers (CFO), how they define their role and conduct their business. It also summarizes key concerns raised in the recent hearing before the House Subcommittee on Management, Information, and Technology.

Karen Cleary Alderman
Executive Director, JFMIP

Transforming the Role of the Federal CFO

The CFO community marked the 10th anniversary of the CFO Act with a debate about their role, responsibilities and authority; their qualifications, experience and compensation; and the appropriate form and responsibility for reporting and being accountable to the Congress and the public. The results of this debate will be reflected in the Office of Management and Budget and CFO Council's 2000 Financial Management Plan that will be published this summer. The driving force behind the debate is recognition that, over the decade, the role of Federal CFO has transformed from managing the backroom—with performance measured in terms of ensuring spending and accounting for appropriations—to a more senior management partner.

This new model carries responsibility for integrating financial and program information for greater accountability, more informed decision making, and strategic direction. Agency heads remain responsible for agency management and the overall accountability to Congress. However, the role of the Federal CFO is becoming more like the role of corporate CFOs, who are the top management officials responsible for the integration of budgeting, auditing, performance measurement, capital planning, business process reengineering, program integrity, asset management, as well as other financial operations that support their corporations. Private sector CFOs manage the information and the resource decision making process necessary to run an enterprise.

Does Executive leadership in OMB and the Federal agencies demand similar functions of their CFOs now? Will this be true in the future? Movement is in this direction as a natural response to accountability mandates imposed by recent legislation. The CFO Act was only one of many legislative mandates of the 1990s that moved the Federal CFO toward the corporate model. The 1993 Government Performance and Results Act, the Government Management Reform Act, and the Information Technology Management Reform Act imposed management standards, accountability and reporting more consistent with the corporate financial practices. Imposing these requirements raised the bar of what is expected of agency heads, which in turn, redefined what Federal CFOs must do. Today those mandates are manifested in external reporting requirements and measured in passing muster on those external reports, such as receiving clean opinions on audited financial statements. Today, CFOs and their staffs meet those mandates through heroic efforts focused on external reporting. The value of those efforts may be lost on the program managers who still do not have timely, accurate and reliable information to manage their programs on a daily basis.

Federal CFOs will have to have commensurate policy support and tools to manage to the corporate model. Policy support should start with updating written expectations issued by the Director of the Office of Management and Budget. Next, the subsequent Administration should specifically consider their expectations for the CFO position in their appointments of Agency heads as well as the selection of CFOs who serve them. Congressional oversight committees must also set expectations so that agencies are expected to operate with the resource management discipline comparable to private sector corporations. Finally, for this model to become institutionalized, agency program management leaders and staffs must benefit by getting cost and performance information that enable them to produce results. The bottom line is that law and policy can set the expectation that the Federal CFO integrate agency budgeting, auditing, performance measurement, capital planning, business process reengineering, program integrity, and asset management. But to do that role effectively requires the introduction of modern, integrated financial systems that produce timely, accurate, reliable information and that information must support many stakeholders.

Congressional Oversight of Federal Financial Systems

The House Committee on Government Reform recently expressed an increased interest in the quality and capabilities of Federal financial systems at its June 6th hearing before the Subcommittee on Government Management, Information and Technology. This was the first Congressional hearing since the FFMIA was passed in 1996 that evaluated how well Federal agencies complied with its mandate to use Federal financial management system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. The subject was "Compliance with the Federal Financial Management Improvement Act of 1996: Agencies Continue to Struggle."

Congressman Stephen Horn chaired the hearing and Congressman Doug Ose led the questioning. Witnesses included Joshua Gotbaum, Executive Associate Director and Controller, Office of Management and Budget; Jeff Steinhoff, Assistant Comptroller General, Accounting and Information Management Division, General Accounting Office (GAO); Thomas P. Skelly, Director, Budget Service and Acting CFO, Department of Education; Arnold Holz, CFO, National Aeronautics and Space Administration; and Karen Cleary Alderman, Executive Director, JFMIP. The witnesses represented oversight in the Executive Branch and by GAO; one agency that did not meet FFMIA requirements as determined by its audit and one agency that did; and JFMIP which has been charged with developing system requirements and tools to assist agencies improve their financial systems.

While the hearing witnesses had different roles and responsibilities, their assessments were remarkably similar. The key message is that Federal agencies have made remarkable

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New CFO Council Members

The Chief Financial Officers (CFO) Council has several new members. Victoria I. Bateman was recently appointed the Deputy CFO of the Department of Housing and Urban Development. She is currently Acting CFO at HUD and is responsible for the management for the accounting and financial aspects of all the administrative and program operations and serves as the principal advisor to the Secretary and Deputy Secretary on all financial issues, including budget formulation and execution.

Previously, Ms. Bateman was the Comptroller of the Housing-Federal Housing Administration since February 1999. Prior to that, she was the CFO for Rural Housing at the Department of Agriculture. She started her Federal career at the Department of Education, in the CFO Office and the Office of Post Secondary Education. Ms. Bateman has also held positions in the private sector and served as the Assistant Vice President of the largest bank in Maryland for over 12 years. Ms. Bateman is a certified public accountant and a certified government financial manager.

W. Todd Grams was appointed as the Deputy CFO at the Department of Veterans Affairs (VA) in February 2000. He is responsible for the oversight of the Department's $45 billion budget as well as VA's financial and procurement functions. Prior to his current appointment, Mr. Grams was the first CFO for the Veterans Health Administration (VHA), where he was responsible for the administration and oversight of its $19 billion budget, and matters pertaining to finance, revenue, logistics, and procurement. Some of his accomplishments included: implementation of a funding allocation system that shifted over $500 million across VHA's health care networks; establishment of VHA's first corporate finance office; development of a financial report card on financial activities; and savings exceeding $100 million by eliminating and reducing headquarters programs. VHA received its first-ever unqualified opinion on its financial statements during his tenure. Prior to working at VA, Mr. Grams was the Chief of the Veterans Affairs Branch at the Office of Management and Budget. He began his Federal career at the Department of Commerce as a budget analyst.

W. Todd Grams, Deputy CFO, Department of Veterans Affairs

In January 2000, Joseph P. Loddo was selected as the Chief Financial Officer at the Small Business Administration (SBA), where he also served as the Acting CFO for a year. Previously, Mr. Loddo was the Director of the Rhode Island District Office in Providence. During his tenure there he was instrumental in the development of legislation allowing a state tax credit for the SBA guarantee fee. Today it stands as a national symbol of cutting-edge legislation. Mr. Loddo has over 27 years of experience and success in various aspects of business management, including budget analysis, financial management, profit and loss responsibility, operations and plant management, contract administration, marketing and distribution functions. Prior to joining the Federal government, he held senior management positions in two companies in the private sector. Mr. Loddo was a Captain/ADP Plans and Operations Officer in the U.S. Army and National Security Agency. He has a B.S degree in economics from the University of Dayton.

Donald G. McCrory became the Deputy CFO of the National Science Foundation (NSF) in December 1999. As the Deputy CFO, he provides to his agency executive management in the development of the Foundation's mission interest. He also leads the agency's accounting, payroll, travel, accounts payable, debt collection, and grant financial management activities. Mr. McCrory provides technical assistance and guidance to Financenet, the Federal government's Internet website for financial management information that is sponsored by the CFO Council. Mr. McCrory led the Accounting Operation of the U.S. Secret Service prior to joining NSF. He holds a B.S. in Accounting from the University of Pittsburgh. ▫

CFO Council Retreat

The U.S. Government Chief Financial Officers (CFO) Council held its 7th Annual Retreat on April 18. Sally Katzen, Counselor to the Director of the Office of Management and Budget, made the opening remarks for this meeting. She stated that progress in financial management has been made since the passage of the CFO Act in 1990. She pointed out that hardly any Government agencies were producing financial statements ten years ago, but several agencies are now receiving clean audit opinions. She acknowledged while progress has been made, more needs to be done.

Ms. Katzen challenged agencies to implement financial systems that have reliable and timely financial information that can be used by management for decision making and also generate financial statements that receive clean opinions. Such systems would integrate financial and performance information with resource allocation, budgeting, and decision making. The Federal government needs to exploit information technology. The Government must find ways to incorporate information technology into the way it does business, whether it is paying benefits or bills, processing applications and licenses, or making grants. She believes that Federal agencies can learn from the private sector on how to become electronic. In conclusion, she stated that the CFO Council needs to develop goals and decide what it wants to accomplish, so that priorities and goals for sound financial management are set for the future. In that way, successors will have a firm foundation on which to operate.

John Callahan, Executive Vice Chair of the CFO Council and CFO at the Department of Health and Human Services, stated two desired objectives for this meeting. They were to reaffirm the central role of the CFO in the operation of the government; and to reevaluate how the business of the CFO will be conducted in the years ahead. He cited some recent CFO accomplishments, including:

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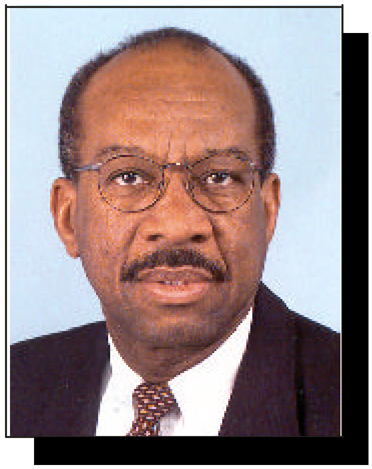
FINANCIAL MANAGEMENT

PROFILE

Jesse L. Funches is the Chief Financial Officer (CFO) for the Nuclear Regulatory Commission (NRC) and has held that position since April 1997. He has almost 30 years experience in Federal financial management. Prior to being appointed CFO, he was NRC's Deputy Controller. Mr. Funches has held progressively more responsible management positions at the NRC in the areas of policy development, planning, budget development and execution, program and resource analysis, and financial management. He began his Federal career as an Executive Intern with the Office of the Secretary of Defense in 1972. He was awarded a Master of Business Administration from Loyola College in Baltimore, a Master of Science in Mathematics from the University of Illinois and a Bachelor of Science from Jackson State University.



As the CFO, Mr. Funches is responsible for agency-wide financial planning, policy, operations, systems and reporting. This includes budget formulation and execution, and agency-wide accounting and finance. He is also responsible for the agency planning and budgeting process, including implementation of the Government Performance and Results Act. He serves, with the Executive Director for Operations and the Chief Information Officer, on the NRC Executive Council, which provides an integrated framework for NRC planning and decision making.

As the NRC's senior financial management executive, Mr. Funches provides the leadership necessary to: ensure stewardship over the agency's assets; ensure a comprehensive system of internal controls is properly functioning; provide efficient systems for executing the agency's fiscal activities; and administer the budget and planning process. As a member of the NRC's Executive Council, he plays a key role in guiding and influencing decisions on the agency's resource utilization. This is a very critical role because he must be careful to balance the efficient use of resources with ensuring the successful implementation of the agency's mission and while maintaining proper levels of accountability at all times.

Among Mr. Funches' accomplishments at NRC is that the agency has received an unqualified audit opinion on its annual financial statements for the past six years. NRC has implemented an integrated planning, budgeting, and performance management system, consistent with the intent of the Government Performance and Results Act (GPRA). The NRC has also been successful in implementing electronic payments; for example, in FY 1999, 99% of salary and award payments, and 98% of commercial payments were made electronically. Implementation of good financial management principles has also helped NRC to meet their mission requirements with no real growth resources.

Mr. Funches believes in a "participatory" style of management. That is, he believes that the best decisions are made when those with the knowledge and responsibilities are full participants in the decisions. He also believes that it is important to hire good people and delegate responsibilities. In this way you are able to leverage your resources to meet organizational goals.

The predicted mass exodus of Federal employees in the next five to ten years is an issue Mr. Funches recognizes as a significant challenge. NRC is approaching this problem from two fronts. First, they are putting more effort into hiring entry-level staff. This will ensure that they have qualified staff to replace those Federal employees that are leaving. Additionally, they will be hiring staff with the latest academic training. Secondly, Mr. Funches would like to shift his staff focus more to analyzing financial information and advising the program staff. To accomplish this, the staff must continue to implement efficiencies that will allow them to increase output and, at the same time, permit staff to reallocate their time to perform other functions. To this end, the NRC is developing a new integrated resource management system for the agency. Automated efficiencies in travel, payroll, and personnel transaction processing are inherent in this project. NRC currently uses contractors to assist their payroll and daily accounting staff.

In his opinion, current Federal financial managers are qualified to do their jobs, however, continuous training is necessary to ensure retention of knowledge and to maintain up-to-date skills. Mr. Funches believes that cross training of Federal financial managers and staff will be critical to meeting the expectations for future Federal executives. It is essential that personnel involved in functions that are charged with providing program support, such as financial management, information technology or human resources, have a well-grounded knowledge of the agency's business. With this knowledge and experience, such staff can approach their jobs from the perspective of how they can best contribute to the agency's performance goals. Likewise, he believes program managers of the future will need a better understanding of financial management, in particular, cost accounting. He believes managerial cost accounting is one of the most important tools for taking the next major step in improving financial management in the Federal government. Managerial cost accounting is essential if agencies are to balance program and costs as envisioned by the CFOs Act and GPRA. Program managers must also have current and accurate cost information for making critical evaluations of which programs to initiate, or continue, or abandon.

Mr. Funches believes a decentralized organization tends to work best. However, centralized guidance is needed to ensure that overall organizational goals are achieved. This is consistent with his basic belief that managers should be given strategic guidance and resources and held accountable for results. NRC has recently begun to provide all agency managers training courses that teach resource management

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FINANCIAL MANAGEMENT
PROFILE

Mark Carney is the Deputy Chief Financial Officer (DCFO) for the Department of Education and has held that position since June 1999. He has over 18 years of experience in Federal financial management and also possesses experience at the state and local levels. Mr. Carney held various positions at the Small Business Administration (SBA) including Director of its National Finance Center in Denver, Director of its Western Commercial Loan Servicing Center, Agency Budget Officer, Management/Program Analyst. He was a Presidential Management Intern, and began his Federal career at the SBA in 1982. Mr. Carney is a native of Girard, Ohio. He graduated from Ohio University with a Bachelor of Arts degree and from Ohio State University with a Master's Degree in Public Administration.

As the DCFO, Mr. Carney is the "on the ground manager" for all financial management activities in the Department. This entails being able to move easily from one activity to another such as from strategic planning, to speaking to the press, to ensuring that a transaction gets processed correctly. Over the last year he has spent a great deal of time working on matters of importance to the Congressional oversight committee by responding to data requests and helping the Deputy Secretary prepare for hearings. He has been involved in three financial statement audits in the last year and has an ongoing association with the General Accounting Office. However, Mr. Carney considers the main attraction of his current position to be the utilization of Education's Central Automated Processing System (EDCAPS) technology platform to deliver the Department's programs. His office moves on average $650 million a week to grant recipients, manages approximately $1 billion worth of contracts, and supports nearly 16,000 external customers through hotlines and the web site. A sampling of the Department's accomplishments experienced during Mr. Carney's tenure are enumerated below:

- Implemented CheckFree Corporation's Recon Plus software, a tool that is assisting dramatically in the reconciliation process of the Fund Balances with Treasury. The Department is currently on a monthly schedule and can automatically match approximately 92% of the general ledger transactions with those posted by the Department of Treasury.
- Purchased a new general ledger system, Oracle Financials that will give a running start to FFMIA compliance.
- Completed over 50% of the outstanding corrective actions developed to resolve internal control deficiencies noted in the financial statement audits.
- Updated the five-year plan and developed a comprehensive management control plan that ensures compliance with laws and regulations. In cases of noncompliance, remediation plans were put in place.
- Implemented a web based policy and procedures application while engaging a "plain English" contractor to assist in the re-write of all operating procedures.
- Engaged a private contractor, PricewaterhouseCoopers (PWC), to assist in updating the Department's internal control blueprints. The contractor is also assessing business process risks, validating the effectiveness of existing controls, assisting the development of parameter based computer applications to identify potentially bad data in electronic records and strengthening feeder system interfaces.
- Implemented a number of "work around" applications that should substantially improve chances for a clean audit. For example, a vertical application that maps trial balances into the financial statements was developed. This replaces the 1998 methodology of rolling 1,000 trial balances into financial statement spreadsheets.
- Sought assistance from the Department of Treasury's Center for Applied Financial Management; which is currently providing on-site training and consulting support.

Mr. Carney's self-described management style is very diverse, ranging from collaboration and coaching to command and control. He feels that a wide range of management abilities, including flexibility is required to get the work done. He personally experienced the epitome of flexibility while supporting the Disaster Assistance function of the Small Business Administration during Hurricanes Andrew and Iniki and the Northridge earthquake. These experiences have impacted his management views; taught him how to hit the ground running; and how to execute a plan with minimum analysis. During the Northridge response the SBA finally accomplished an electronic, distributed business process that allowed them to make a loan and deposit the proceeds within seven days.

Related to the forecasted mass exodus of Federal employees in the next five to ten years, Mr. Carney believes the current business processes being used are evolving and therefore skill sets are driven by this more than any other element. Employees who are asked to generate financial management results need to understand the processes. They also need to know the "what and why" behind the duties they perform and the products produced. More training is one aspect needed; however that isn't enough. There has to be an infrastructure in place that the staff understands and can operate. The Department of Education is attempting to capture institutional knowledge in its systems code, workflow applications, management control plans, work plans, and process blueprints. If a business process is only sustainable by intense manual intervention, it gets placed on the

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Systems Implementation Road Map

In fiscal year 2000, the Joint Financial Management Improvement Program, in conjunction with the Financial Systems Committee of the Chief Financial Officers Council, will present the "Financial Systems Implementation Road Map" to Federal agencies.

While the JFMIP Qualifications Testing Process has been extremely successful, still more needs to be done to help agencies with the broader challenges of implementing financial systems, particularly with the many agencies, and vendors, and technical factors leading to systems implementation failures.

The Systems Implementation Road Map will be a comprehensive source of information, maintained on the JFMIP Knowledgebase, for Federal managers concerned with financial systems planning, selection, and implementation.

Why do we need a Road Map?

There is more to successful financial management system implementation than just passing a test. Agencies need better tools and information for managing risk with respect to financial system development and implementation. Many agencies are embarking on expensive, complex financial system projects without the benefit of experience, knowledge and tools developed in other agencies. The Road Map will provide a framework to manage financial systems change in the Federal government and give the financial community a resource of tools and information needed to select and implement systems. For the central management and oversight agencies, the Road Map can provide the context within which to target initiatives to develop further policies and guidance to address the broad range of systems issues.

What kind of information will be in the Road Map?

The goal is to identify, collect, develop, and present tools and information and to organize them into a structure resembling the systems life cycle process. The information will evolve based on need. The available materials will include such things as: information about software performance and experience; systems users group proceedings; surveys and databases, performance measurement and metrics; usable templates and examples from other agencies; lessons learned; charts and presentations; checklists; methodologies and tools; directories and contacts; case studies; cost comparisons, articles and reference materials; best practices and success stories.

Expected Benefits

- Leverage information and experience among agencies. The communication of knowledge and experience among agencies needs to be strengthened. The Road Map will improve knowledge and communication by sharing information and helping to standardize processes that are currently being conducted inconsistently and, frequently, ineffectively among agencies.
- Be a Resource for Project Planning. Agencies need help with Project Management. While each agency may have additional considerations as well as different priorities and dependencies, the Road Map will provide a resource to agencies.
- Help agencies plan for and manage resources and costs. The Road Map can help identify the resources and support needed for a system replacement. The Knowledgebase of materials is a resource to Financial Managers who have the responsibility for budgets and maintaining for the necessary communication and management support that is essential to obtaining resources.
- Provide agencies comparative information on vendor and agency implementation experience. The cost of implementation is generally the highest risk area in terms of both dollars and time, and the most difficult to manage. This process is also impacted by the agency's unique requirements, the implementation strategies described, resources available, etc. Each qualified software vendor has differences in their implementation approach and process with markedly differing results based on past experience. Additionally, the Road Map conveys to vendors entering the market, the complexity of the support required to implement their product in the Federal arena
- Support risk management. The Road Map will provide the context (Systems Planning, Acquisition, Implementation, and Operation) and means (New Road Map Knowledgebase web-site hosted by JFMIP) for the central management agencies to direct initiatives to improve financial management, and for CFO and small agencies to best benefit from them.
- Provide Tools and Templates. The Road Map will provide practical information and tools that can be immediately applied throughout the selection and implementation process. Agencies will have access to commonly used documents, templates, methodologies, forms, etc. to modify for their own use. This allows agencies to benefit from the experience of another agency that has already conducted the same process. It also allows sharing of tools and therefore will save the time and cost of recreating them at each agency.
- Provide Systems Implementation Performance Measures.

The Road Map will contain information on software performance, technical support, and other technical requirements.

- Present Core Competencies Requirements, Training, and Curriculum. A key factor in successfully implementing systems is the skill mix of agency and vendor staff. The Road Map will capture identification of the core competencies needed at the various stages and provide the framework for the development of training programs, project management curriculum, and project team planning.
- Provide a baseline for Quality Assurance. There are numerous other roles within the implementation process related to quality assurance, independent verification and validation, audit, etc. The Road Map will help convey the complexities of the processes being reviewed but, furthermore, will assist in identifying gaps in agency practices.

We will be visiting agencies in the summer months to present an overview of the project and solicit recommendations and content for the Road Map. If your organization is available to help in this effort, please provide the name of your contact point to Bruce Turner at 202-219-0531, or email Bruce.Turner@gsa.gov. ❑

Incremental Test for Core Financial Management Systems

The JFMIP and the Department of Treasury, Financial Management Service (FMS) are working together to develop and administer an incremental test of COTS Financial Management System software packages which have already been approved by JFMIP. The incremental test will principally be aimed at ensuring that the various approved software packages will be capable of satisfying reporting requirements required by the Federal Agency Centralized Trial Balance System II (FACTS II).

The final incremental test plan, test script and example files and reports have been posted on the JFMIP Knowledgebase (http://memphis.lmi.org/ext/cfo_fms_r.nsf). In addition to testing COTS software, the test can be used by agencies to help assess where they stand relative to producing data from their core accounting system that complies with FACTS II reporting requirements. However, because reporting responsibility for Treasury Account Fund Symbols (TAFS) is assigned to specific individuals, agencies would have to substitute test TAFS with their own fund symbols.

The test has been designed so that it can be executed independently of the current core Financial Management System qualification test. Treasury FMS will be providing a test region so that JFMIP can require vendors to submit a bulk FACTS II file during test execution. This approach will ensure that COTS packages have incorporated the correct file layout as specified by FMS.

For more information, contact steven.fisher@gsa.gov. ❑

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greater emphasis on FFMIA compliance through monitoring and education activities. OMB is developing a comprehensive strategy for improving Federal financial management systems and a methodology for reviewing agency remediation plans. Improving financial systems is a major challenge in an environment dominated by legacy systems that were not designed to support current requirements or technology. These systems improvements are difficult and progress in this area will take time and resources.

Through the Joint Financial Management Improvement Program (JFMIP), financial system requirements are promulgated and commercial off-the-shelf (COTS) software packages for core financial systems are tested for compliance with core financial system requirements. OMB has directed that agencies purchase only those COTS packages that have been tested and have received JFMIP's approval. The financial system requirements for core accounting, managerial cost accounting, inventory, travel, human resources and payroll, seized property and forfeited assets, direct loans, guaranteed loans, and grants have been issued.

Better Financial Management

In the area of electronic commerce, CFOs are making sure that Government business is done faster and more accurately in a customer-driven environment. The CFO Council is encouraging agencies to take the next step towards electronic Government by using the Internet. Two key initiatives discussed in the report on financial management include the electronic processing in the administration of grant programs and maximizing the use of the Internet for credit and debt management programs.

OMB and Federal agencies are working to make it easier for State, local and tribal governments and non-profit organizations to apply for Federal grants; and as recipients, to report their progress. The Interagency Electronic Grants Committee is working on a "Federal Commons" initiative to establish a single point of entry for Federal grant programs.

In the area of debt management, the CFO Council is urging agencies to conduct secure, private, and authenticated Internet transactions for debt management programs within three years. The Federal Credit Policy Working Group in conjunction with the CFO Council and the Chief Information Officers (CIO) Council, established a subcommittee to identify credit industry standards and Internet best practices related to credit and debt management. The goal is to use the Internet for secure transactions between agencies and their private sector partners using electronic signature technology, where appropriate.

Building Professionalism

One of the major challenges is having a quality financial management workforce. During the past decade, we have seen the downsizing of the administrative and financial management functions in the Federal government, coupled with an increase in the number of employees eligible to retire. Recruiting and retaining employees with the pertinent competencies will be a major challenge in this tight job market.

The CFO Council and JFMIP have defined financial management core competencies. These core competency documents articulate the knowledge, skills and abilities necessary for financial personnel to succeed in their respective professions.

The CFO Council Fellows Program is starting its third year. This program provides career development opportunities to promising financial managers within the CFO community to gain knowledge and experience needed to prepare them for financial executive positions in the future.

New strategies to recruit, develop and sustain a workforce to meet the needs of the new decade are underway. The CFO Careers Program is aimed at attracting a well-qualified, diverse pool of candidates in all financial management disciplines. A CFO Internship Program will provide structured on-the-job experiences to undergraduate and graduate students. A CFO Scholars Program, in partnership with the Association of Government Accountants, will provide competitive scholarship opportunities to pursue degree programs and professional certifications.

Improving Federal financial management is needed to achieve program performance goals. Much more needs to be done, but the CFO community is well-positioned to make significant progress in future years. ❑

JFMIP Grant Financial System Requirements

The Grant Financial System Requirements document, JFMIP-SR-00-3, was published in June 2000 by the Joint Financial Management Improvement Program (JFMIP). This document serves many purposes by identifying financial system requirements necessary to support the financial aspects of grant programs. The grants community is to be commended for developing, for the first time ever, a JFMIP requirements document for Federal grant programs. The JFMIP partnered with the Chief Financial Officers (CFO) Council Financial Systems Committee, Grants Management Committee, and Inter-Agency Electronic Grants Committee to develop the document.

The document is available on the JFMIP Website at: www.financenet.gov/fed/jfmip/reports.htm. Hardcopies of the document can be obtained by calling the U.S. General Accounting Office, Document Distribution Center, on 202-512-6000 or TDD 202-512-2537, and asking for document number JFMIP-SR-99-00-3, dated June 2000.

An article in *NGMA Grants and Assistance News, Fall 1999,* provided information on the development and publication of the Exposure Draft of this document in October 1999. Mr. Albert Muhlbauer, then Deputy Chief Financial Officer for the National Science Foundation (NSF) chaired the Grant Financial System Requirements Project. The CFO Council Fellows Class of 1998-1999 made up the team that developed the Exposure Draft. Mr. Richard Noll, NSF, was the team leader for the project. Fourteen (14) responses, containing 214 comments, were received from across the Federal government on the Exposure Draft.

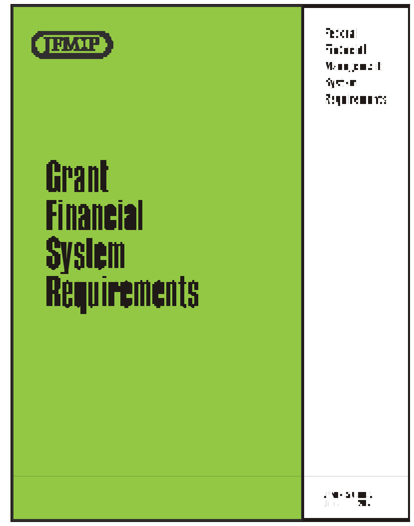
After Mr. Muhlbauer's retirement from the Federal government, Mr. George Strader, Deputy Chief Financial Officer, U.S. Department of Health and Human Services (HHS), chaired the project to evaluate the comments received on the Exposure Draft and prepare the final document. Mr. Noll continued as the team leader for the project. Representatives from agencies across the Federal government, participated in both efforts, as shown by the list of contributors in the final document. Several versions of the Exposure Draft and the final document were developed and vetted among all interested organizations and individuals.

These projects were undertaken to assist Federal agencies in meeting legislative mandates to improve financial management, particularly in the financial systems area. Pertinent legislation, includes the Federal Managers' Financial Integrity Act (FMFIA) of 1982; Chief Financial Officers Act of 1990; Government Management Reform Act (GMRA) of 1996; and Federal Financial Management Improvement Act (FFMIA) of 1996. The last of these includes provisions that each Federal agency must implement and maintain financial management systems that comply with: (1) Federal financial management systems requirements; (2) applicable Federal accounting standards; and (3) standard general ledger at the transaction level.

The effort to develop a system requirements document for grant programs was undertaken to reflect systems requirements contained in a variety of statutes and regulations, e.g. FFMIA, and Office of Management and Budget (OMB) Circular A-110, Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations. Requirements are grouped into two standard categories in all JFMIP requirements documents, including Federal grant programs, i.e., mandatory requirements and value added requirements.

Mandatory requirements describe and consist of the minimum acceptable functionality necessary to establish a system, or are based on Federal laws and regulations. Mandatory requirements are those against which agency heads evaluate their systems to determine substantial compliance with systems requirements under the FFMIA. These requirements apply to existing systems in operation and new systems planned or under development.

Value added requirements describe optional features and may consist of any combination of the following: (1) using state of the art technology, (2) employing the



preferred or best business practices, or (3) meeting the special management needs of an individual agency. Agencies should consider value added features when judging systems options. The need for these value added features in agency systems is left to the discretion of each agency head.

The requirements document is intended to identify financial system requirements necessary to support grants programs. It is not intended to identify the full scope of functional program requirements associated with grants management programs. Its audience will include Federal and State government agencies and other institutions that make or receive grants. The document will assist systems analysts; systems accountants; and others who design, develop, implement, operate, and maintain grants management systems. It also provides guidance to the oversight community in the conduct of FFMIA compliance reviews, and it will provide strategic information to the vendor community who may want to provide systems to meet the functional requirements of federal grants managers.

Information on this, or any other JFMIP requirements documents, is available on the JFMIP Homepage at www.financenet.gov/fed/jfmip/reports.htm or by calling 202-219-0526. ❑

Update on JFMIP Property Management System Requirements

The Property Management Systems Requirements document is in its final stages of development. The comment period on the Exposure Draft ended on May 31st. Over forty agencies and private sector organizations submitted comments representing the viewpoints of the financial management, property management, oversight, and systems development communities. Capturing information on deferred maintenance, environmental clean-up, capital improvements, and the need for a skeletal property record for newly acquired assets in transit from the manufacturer/seller appear to be the major issues emerging from the Exposure Draft review.

In addition to comments on the Exposure Draft, JFMIP sought feedback on six issues that emerged from the Exposure Draft development process:

1) Is the functional scope of the document appropriate? Does the document identify all data necessary to support the minimum government-wide life cycle of property management and associated financial management requirements?

2) Is the categorization of system requirements between mandatory and value-added appropriate? Are there requirements that should be changed from mandatory to value-added and vice versa?

3) The document requires classification of plant, property and equipment according to the Standard General Ledger (SGL) accounts. Should this requirement be changed to allow for crosswalking of data to the SGL accounts?

4) Are all terms sufficiently defined? Are there additional terms that need defining?

5) Given that this will be the first issuance of any systems requirements document on property management, and that agency property management systems may need time to comply with these new requirements, when should the requirements set forth in the document become effective?

6) Will the requirements in the document help resource property management functions (e.g. acquisition, overhaul or maintenance of property, etc.) or property management systems?

The answer to these questions, as well as the treatment of the comments on the Exposure Draft, will be posted on JFMIP's website, http://www.financenet.gov/fed/jfmip/ jfmip.htm, in late July.

JFMIP wishes to thank everyone who provided comments on the Exposure Draft, or who answered the six questions. Such an overwhelming response assures us that the document has been well vetted and, when completed, will reflect the concerns of the major property stakeholder communities. The Property System Requirements Steering Committee, the CFO Council Financial Systems Committee and the JFMIP Steering Committee need to approve the document before it is issued as a final requirements document.

For more information, contact Carla Kohler, (202) 219-0532 or email kohlerc@jfmip.gov. ❑

GAO Endorses A Framework to Streamline the Payment Process

GAO's May 2000 Streamlining the Payment Process While Maintaining Effective Internal Control (GAO/AIMD-21.3.2) is the latest publication in its internal control series. The publication is intended to be used as a guide to maintaining sound internal control by agencies modifying or reengineering their payment systems. The document also emphases the advantages current technology offers to reduce costs and risks in the payment process.

In recent years, agencies have taken advantage of new technology to streamline and reduce costs of their overall financial management operations and more specifically, their payment processing systems. While making these improvements, agencies formally request GAO's views on the adequacy of the internal control in their modifications or designs. As part of GAO's responsibility to issue internal control standards and as part of our commitment to improve financial management in government, it works with the requesting agencies to ensure that effective controls are included in the new or modified systems. The combined GAO and agency efforts have resulted in savings of millions of dollars while insuring that the government's assets are adequately protected.

The new publication summarizes agency designs; their requests to GAO; and GAO's positions on their internal control designs, and aggregates the data from GAO's individual letter responses. The document is divided into four major sections that cover (1) background information about traditional payment systems and the changes occurring in them, (2) advancing technology and its impact on payment systems, (3) streamlining efforts in the payment systems involving the purchase of goods and services and (4) streamlining efforts in the employee travel payment systems.

Copies of this guide can be obtained from the U.S. General Accounting Office, 700 4th Street NW, Room 1100, Washington, D.C. 20548, or by calling (202) 512-6000 or TDD (202) 512-2537. It is also available on the Internet on GAO's Home Page (www.gao.gov) "Other Publications." ❑

Joint Perspective, continued from page 2.

strides in the last decade in moving from budget outlay management systems to producing financial statements in accordance with generally accepted accounting principles. Fourteen CFO agencies received clean opinions for fiscal year 1999. However, this progress occurred in spite of the installed base of financial management systems, not because of them. Today's financial management systems are highly stovepiped and were built to keep track of expenditures and appropriations, not to produce accrual-based financial accounting that meets accounting standards or to link resources to outcomes as required under the Results Act. Agency staffs have made up the gap by intensive planning, and management, and plain hard work to produce required reports. However, the challenges continue to get tougher as standards and requirements continue to evolve.

GAO's testimony included a summary of audit findings for FY 1999 indicating that 20 of the 23 agencies for which audit reports were issued in FY 1999 did not substantially comply with FFMIA requirements. The five primary reasons were nonintegrated financial management systems, inadequate reconciliation procedures, noncompliance with SGL, lack of adherence to Federal accounting standards and weak security over information systems. This last item was cited in 19 of the 23 audits. The GAO noted that the Federal government's size and complexity and the discipline needed to overhaul or replace financial management systems present significant management challenges requiring attention from the highest levels of government including top agency executive leadership and the Congress.

Both agency witnesses testified that financial management systems replacements were necessary in their agency. In NASA's case, their financial management process allowed them to get a clean opinion; however, their underlying financial management systems were not integrated or efficient. NASA is in the process of replacing their system. The Department of Education was not found in compliance with FFMIA requirements -FFMIA remediation plan is anchored by the replacement of their general ledger system by 2001 with an off-the-shelf system that has been tested and qualified as meeting Federal accounting requirements. Education recently selected Oracle Financials as the best fit for its operation.

Joshua Gotbaum presented OMB's management process as a combination of oversight, consultation, and guidance. Key efforts include:

- Guidance. Updating OMB Audit Bulletin 98-08 to promote consistent application of the statutory requirements of FFMIA.
- Standards. Aggressive support of JFMIP efforts to issue system requirements documents and testing and qualifying software for use by Federal agencies.
- Support. This includes meetings with agencies to discuss their remediation plans; evaluating agencies system plans and resource needs through the annual budget process; and developing a tracking mechanism that more accurately depicts agency incremental improvement in meeting FFMIA goals.
- Integration. OMB will review in its budget process for system requests that have been endorsed by agency management, integrated with agency information technology and other business plans and are part of the overall agency financial management strategy leading to compliance with FFMIA.

OMB also encouraged Congress to offer oversight and support for agencies to improve their systems. The House Subcommittee was encouraged to highlight agency performance over time through some form of scorecards. Also, joint discussions with Authorization and Appropriation Committees were mentioned as helpful in encouraging improvement efforts.

JFMIP testimony highlighted the work over the last 2 years in developing system requirements, testing and qualifying system software, and sharing information with all stakeholders. Testimony stressed that these tools reduced cost and risk in replacing financial management systems, but address only a fraction of the tasks that agencies must undertake to successfully replace systems. Future JFMIP efforts include partnering with the CFO Council to issue a financial management system compliance review guide; developing an easily accessible information "roadmap" on the full life cycle management of financial systems; and developing a strategy to build capacity within the Federal workforce to successfully manage the transition to the next generation of financial management systems.

Congressmen Horn and Ose strongly encouraged timeliness of agencies in preparing their financial statements and, if warranted by the audit findings, to submit FFMIA remediation plans and take action. Congress is looking for affirmation that agencies are taking the Act seriously. Congressmen Ose and Horn requested, in many different ways, how Congress could be helpful in supporting agency efforts. There was a clear invitation for increased dialog and partnership in addressing system deficiencies and the signal that oversight would be accompanied by increased support from the House Subcommittee on Government Management, Information, and Technology for improving agency financial management system capabilities.

Summary

The soon to be published OMB & CFO Council FY 2000 Financial Management Plan will provide greater development of the evolving role of Federal CFO and near term actions to improve financial management capability and accountability. The question remains open about how the Federal government will define the CFO role as we move into the 21st century and whether there will be support for the improved financial management system tools necessary to actualize the redefinition of the CFO role. The dialog is beginning now. Evidence that the new model resonates with key leaders will be measured by support from key stakeholders for the changed mode and the systems that support it. Those key stakeholders include Congress, the General Accounting Office, the Federal career leadership, and the next wave of political leadership whose appointment process will commence in the winter of 2001. ❑

FASAB *Update*

AICPA Issued SAS 91

As previously reported, the American Institute of Certified Public Accountants (AICPA) has recognized the Federal Accounting Standards Advisory Board (FASAB) as the body that promulgates generally accepted accounting principles for Federal reporting entities. As a result of that action, the Auditing Standards Board has published Statement on Auditing Standards 91, Amendment to Statement on Auditing Standards No. 69, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles in the Independent Auditor's Report. This will be codified in AICPA's Professional Standards, vol. 1, AU sec. 411) and establishes the generally accepted accounting principles, or GAAP, hierarchy for Federal financial reporting entities. Statement of Federal Financial Accounting Concepts (SFFAC) 2, Entity and Display, defines Federal financial reporting entities. The new federal GAAP hierarchy is as follows:

Category (a), officially established accounting principles, consists of FASAB Statements and Interpretations, as well as AICPA and Financial Accounting Standards Board (FASB) pronouncements specifically made applicable to Federal governmental entities by FASAB Statements or Interpretations. FASAB Statements and Interpretations will be periodically incorporated in a publication by the FASAB.

Category (b) consists of FASAB Technical Bulletins and, if specifically made applicable to Federal governmental entities by the AICPA and cleared by the FASAB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.

Category (c) consists of AICPA Accounting Standards Executive Committee (AcSEC) Practice Bulletins, if specifically made applicable to Federal governmental entities and cleared by the FASAB, as well as Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.

Category (d) includes implementation guides published by the FASAB staff as well as practices that are widely recognized and prevalent in the Federal government.

In the absence of a pronouncement covered by rule 203 or another source of established accounting principles, the auditor of financial statements of a Federal governmental entity may consider other accounting literature, depending on its relevance in the circumstances. For more details, see SAS 91.

SFFAS 18 Issued

Statement of Federal Financial Accounting Standards (SFFAS) 18, Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS No. 2, was adopted in February 2000. It was the first FASAB standard to undergo the new approval procedures established in October 1999. SFFAS 18 went through a 90-day review by FASAB Principals and became final on May 19, 2000.

SFFAS 18 provides new requirements to improve financial reporting for subsidy costs and performance of Federal credit programs. (See FASAB News Issue 60 for details on both the Rule 203 procedural changes, and on the content of SFFAS 18). Contact Richard Mayo, 202-512-7356, for additional information.

Exposure Draft on Subsidy Reporting on Direct Loans and Loan Guarantees

On May 10, 2000, the Board issued an exposure draft on reconciling the subsidy cost allowance for direct loans and loan guarantees on a program level within each agency. The exposure draft was issued to refine the reconciliation requirement adopted in SFFAS No. 18.

The proposed standard would require that, in a note to their financial statements, reporting entities display, for each major program as well as for the entity as a whole, reconciliations between the beginning and ending balances of the subsidy cost allowance for direct loans and the liability of loan guarantees. This Entity management would be responsible for identifying major programs based on each reporting entity's circumstances. The proposed standard states that the major programs that are reconciled individually should constitute at least 75 percent of the face amount of the reporting entity's outstanding direct or guaranteed loans. The reconciliation of other programs should be displayed in aggregate.

Respondents are requested to comment on the specific questions posed by the Board and on the program-by-program reconciliation requirement. Since the entity-wide reconciliation requirement has been adopted in SFFAS 18, it is not a subject for comment. Respondents also are requested to comment on proposed technical amendments to SFFAS 2. Written responses are due by August 10, 2000. Point of contact: Richard Mayo, 202-512-7356, mayor.fasab@gao.gov .

Stewardship Responsibilities, Heritage Assets, and Stewardship Land

In the world of Federal accounting and reporting, Stewardship Responsibilities as defined by the FASAB include: "risk assumed" information (SFFAS 5, Accounting for Liabilities of the Federal Government), the "current services assessment" (CSA) (SFFAS 8, Supplementary Stewardship Reporting), and "social insurance" information (SFFAS 17, Accounting for Social Insurance).

In that same world, Stewardship Property, Plant, & Equipment (PP&E) (SFFAS 6, Property, Plant, & Equipment, and SFFAS 8, Supplementary Stewardship Reporting) includes: heritage assets, stewardship land, and National defense PP&E.

Information about these items is currently designated "Required Supplementary Stewardship Information" (RSSI). RSSI is a category unique to Federal financial reporting. The Board intended RSSI to be similar to basic information in terms of the auditor's reporting requirements, but the Board contemplated that special guidance regarding the auditor's fieldwork would be provided.

In April the Board made tentative decisions about the future classification of information on stewardship responsibilities, heritage assets, and stewardship land (National defense PP&E is being addressed in a separate project) if the RSSI category is eliminated. Points of contact: stewardship responsibilities - Robert Bramlett, 202-512-7355, bramlettr.fasab.gao.gov ; heritage assets and stewardship land - Lucy Lomax, 202-512-7359, lomaxm.fasab.gao.gov.

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Graduation of CFO Council Fellows— Class of 2000

The Courtyard at the U.S. Department of Agriculture (USDA) was the setting for the May 15th graduation of the 2000 class of Chief Financial Officers (CFO) Council Fellows. The second class of eight CFO Council Fellows, their families, and Council members from the host and home agencies attended the graduation ceremony.

The CFO Council Fellows Program was established to identify and develop a diverse cadre of candidates for future executive level financial management positions. Each Fellow spends a full year on challenging senior level developmental assignments at a host agency different than their own. The Fellows receive formal training from the Federal Executive Institute (FEI) and the Graduate School, USDA. The Program is designed to give promising financial managers opportunities to affirm their leadership potential by demonstrating initiative, creativity, adaptability and the ability to lead as well as to work effectively on teams.

Speakers at the graduation were: Kenneth Bresnahan, CFO, Department of Labor and Chair, Human Resources Committee of the CFO Council; John Callahan, CFO, Department of Health and Human Services, and Executive Vice Chair of the CFO Council; Joshua Gotbaum, Executive Associate Director and Controller, Office of Management and Budget, and Acting Chair of the CFO Council, and Dr. Philip Hudson, Director, Graduate School, USDA. They acknowledged that the Federal government must invest in the workforce to ensure that qualified leaders become future executives. This Program was designed to fill a need to broaden the experience of future financial leaders. The class representative, Ms. Tyndall Traversa, highlighted the experiences of the 2000 Class of CFO Council Fellows.

The CFO Council Fellows were presented certificates by Mr. Bresnahan. The HRC developed the CFO Council Fellows Program, and continues to work with its partners – the Graduate School, USDA and FEI – to ensure that the Program meets the goals endorsed by the CFO Council.

The 2000 Class of CFO Fellows are:

- Len Bechtel, Environmental Protection Agency (EPA), completed his fellowship at the Department of Transportation (DOT). He helped develop an electronic system to collect payments and process registrations.
- Pat Clark, Department of Labor (DOL), worked at the Joint Financial Management Improvement Program (JFMIP). Among many of her assignments, she tested commercial off-the-shelf financial management system software packages, and assisted JFMIP in improving financial systems Government-wide.
- Tracy Dahbura, EPA, worked to improve c ost accounting and allocation techniques for the National Science Foundation. She co-chaired the CFO/Chief Information Officer Council task force studying the implementation of Federal financial accounting standard #10, Accounting for Internal Use Software. She also developed a new Internet solicitation site for Federal financial management workgroups.
- Adolphus Hawkes, Office of the CFO, DOL, completed his fellowship at two organizations, Department of Defense and the Employment Training Administration within the Department of Labor. He helped to resolve asset accounting issues for the Department of Defense and converted the Department of Labor's Grants and Contracts Management Information System.
- Steve Nash, Social Security Administration, worked at the Health Care Financing Administration (HCFA), Department of Health and Human Services, where he helped to resolve asset valuation and write-off issues for HCFA.

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2001 CFO Council Fellows Program

The Chief Financial Officers Council is pleased to announce the selection and placement of the 2001 Class of CFO Council Fellows—the third class of CFO Fellows. The CFO Fellows and their home/host agencies are:

Michael J. Cocimano, a Program Analyst with the Environmental Protection Agency (EPA) will be completing his fellowship at the Department of Defense.

Carol E. Harvey, Payroll and Labor Group Lead at the National Aeronautics and Space Administration (NASA), Johnson Space Center in Houston, Texas, is assigned to the National Science Foundation.

Wesley Jarmon, an auditor with the Federal Communications Commission, will work at EPA.

Charles L. Kilgore, senior staff accountant with the Department of Commerce, National Oceanic and Atmospheric Administration, will be completing his fellowship at the Department of Energy.

Carla V.F. Kohler, a supervisory accountant with the Department of Defense, Defense Finance and Accounting Service in Kansas City, Missouri, is working at the Joint Financial Management Improvement Program.

Alice A. Sabatini, a senior administrative officer with the Department of the Interior, U.S. Geological Survey, will be working at EPA.

Bruce R. Tarsia, Accounting Officer for the Department of Labor, Bureau of Labor Statistics will be completing his fellowship with NASA.

Mark Traversa, a Division Director at the U.S. Department of Education is assigned to the Department of Agriculture, Food and Drug Administration.

Valerie J. Zellmer, a systems accountant at NASA's Dryden Flight Research Center in Edwards, California, will be working at the U.S. Department of Education.

The 2001 CFO Fellows are finalizing their individual development plans to include coursework designed to expand their knowledge and skills, work on significant Federal financial management projects, shadow assignments with CFOs, agency briefings, and group learning experiences. The objectives are to enhance their financial management competencies and offer fresh perspectives on managing in a rapidly changing environment. The 2001 class of CFO Fellows started their fellowship program at the Federal Executive Institute in Charlottesville, Virginia on May 8-10, 2000.

For information on the CFO Fellows Program, contact John Amey, john_amey@grad.usda.gov. ❑

Retreat, contined from page 3.

- As of March 31, 2000, nineteen agencies reported timely financial statements, 13 reported unqualified financial opinions
- Agency material weaknesses declined from 309 in 1998 to 271 in 1999; Material non-conformances declined from 262 to 206 during the same period
- This year, a government-wide purchase card program was established that saves $25 per transaction, equaling $450 million a year
- Eighty-two percent of all regular government payments were made via EFT in 1999
- Debt collection, child support, and civil debt collections have increased by 7% and 23% respectively.

The Next Ten Years: Learning from CFO Private Sector Best Practices

Joshua Gotbaum, Acting Chair of the Council and Executive Associate Director and Controller, Office of Management and Budget, encouraged the Federal CFOs to take advantage of the experience and lessons learned from CFOs in the private sector. CFOs from the private sector have developed a set of responsibilities, systems, experiences, and roles that could be helpful in the Federal government. He then introduced Roger Davis, Vice President and CFO for AT&T Network Services, and Ronald Schillereff, Executive Vice President, CFO, and Treasurer for American Management Systems (AMS).

Roger Davis shared his perspective on the mission of finance, the role of the CFO, area of focus, key skills, win with people, and implication to CFO. He elaborated on the need for strategic decision making, positioning the CFO unit for the future, streamlining business processes for value creation, driving implementation of tactics and strategy, and teaching operations how to use the numbers. The CFO should be seen as the senior advisor to the CEO and to the top team. The CFO must hold operations accountable for performance and should leverage business knowledge to influence strategy and tactics. Some areas of focus include: emphasize customer service; strive for cooperation, not just control; use fact-based decision-making; streamline processes and systems; build a capable staff to deliver high quality analysis; and focus on synergizing across all business units. Financial knowledge is a given for a CFO. Other key success factors include: communication skills, collaboration skills, idea leadership, handling complexity, drive for results, business savvy, and integrity. All of these increase the CFO's ability to positively impact and influence the success of the business unit. Mr. Davis presented a traditional model versus a new model for working and winning with people, and ended with implications of each model to the CFO. The CFO must think outside the box. Think big and bold; do more for less; push it to the vendor; and find better and new ways to do things.

Ronald Schillereff discussed risk, the need for the CFO to understand the financial control functions in place to mitigate risk, and how much time and resources to dedicate to risk. He emphasized some important things for CFOs to remember:

- Understand that the CFO is the keeper of the financial and operational metrics.
- Make it simple, actionable, and visible.
- Give people stretch goals and reward them.
- Advertise the baseline performance and give them a real stretch goal. Make them accurate and understandable, and focus on behavior.
- Become an integrated partner with the business units. Support them so they can support their clients.
- Sit on boards.
- Look at soundness and due diligence.
- Become a "change agent."

Areas of focus for a CFO include: integrate with business heads; develop a strategy to relate operations and budgeting; focus on the Treasury cash management function; ensure good management controls and processes; use good cost management techniques; and institute strong processes and systems. Mr. Schillereff stated that the most challenging part of a CFO job is the "people business." You need to motivate, develop, coach, and mentor your staff. You have to take time to nurture your staff, especially new college graduates. You should instill pride in the quality of what your staff does and how they do it. You should understand what your colleagues are doing in other business units. When your business unit colleagues seek your advice to solve a problem, you know you've reached the point where you understand their business. In addition, by rotating your staff to other areas, they will gain the business units' perspective and experience. It is helpful to educate everyone as to what is going on around them. This helps them feel that they have a career, not just a job.

The session concluded that many best practices from the private sector can be used by Federal CFOs

The Changing Role of the Financial Manager

C. Morgan Kinghorn, Partner, PricewaterhouseCoopers, discussed similarities between the public and the private CFOs. The CFOs face profound challenges with the growing list of customer expectations versus internal anchors. What the CFO does must change significantly—from a focus on transaction processing, reporting and control to more decision support. Mr. Kinghorn's outlook for public sector CFOs include: responsibility will increase; transaction processing will all but disappear as a day-to-day function of most CFOs; clean opinions are not enough; the underlying business processes must change or go; and competing for the right people is the key challenge. The people/staff is a major challenge, expertise is retiring, and the Federal government has stiff competition in the employment market. He suggested that CFOs should assess institutional credibility; manage upwards (ensure top management knows about finance issues); create a simple two year agenda; build or create financial strategic leadership; and find program champions to team with on financial analysis.

The Changing Role of the CFO

Steve Ballmer, President and Chief Executive Officer, Microsoft, discussed the changing role of the CFO. Before 1993, the CFO was a "scorekeeper," from 1993-1995, the CFO was largely involved in business process reengineering, and since 1995, the CFO has been viewed as a business partner. He discussed the importance of a paperless environment. Paper-based systems waste time and energy; paperless breeds efficiency. The internal evolution of the CFO is the result of 3 things: 1) business process standardization and a standard technology platform; 2) single database and corporate view to help decision making; and 3) tools available to everyone (e.g., flexible reporting tools for slicing and dicing data). Mr. Ballmer empowered employees through self service, starting with the company Intranet. They view the Intranet as a portal that lets employees navigate through their needs. He emphasized that getting your employees what they need to do their jobs is important. Mr. Ballmer also discussed migration strategies, defining business processes, resistance to change, and data access and security.

Comptroller General's Remarks

David Walker, Comptroller General of the United States, highlighted three important attributes for the Government to strive for:

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Reengineering Defense's Transportation Processes

Using Commercial Practice & Electronic Commerce

For many public and private-sector leaders, today's business environment offers a host of opportunities to achieve efficiencies, cut costs, and provide better service. When Ms. Mary Lou McHugh, Assistant Deputy Undersecretary of Defense for Transportation Policy, proposed a change in the way DoD handles its transportation documentation and financial processes to Dr. John Hamre, former Deputy Secretary of Defense, she knew intuitively that the change would radically transform the way DoD conducts its transportation business. Ms. McHugh's intuition soon turned to reality.

That recommendation led to Management Reform Memorandum #15 (MRM #15) — one of Secretary of Defense William Cohen's Defense Reform Initiatives. It is a plan to completely reengineer DoD's transportation documentation and financial processes. Dr. Hamre signed MRM #15 on July 7, 1997. When fully implemented, DoD will have a single payment process for all modes of transportation that embraces the latest e-commerce technology, eliminates government-unique documentation, and reduces both costs and infrastructure for DoD and its commercial partners.

Understanding the Scope

Each year DoD spends over $1 billion on commercial freight transportation services, encompassing over 16 million shipments. These shipments originate from 550 DoD shipping locations in the Continental United States alone, and together, the shipping sites utilize nearly 500 commercial carriers.

"Fixing Broken Processes"-The Case for Change

Attacking "the way we've always done things" was the first step on the agenda. To make this transformation, leadership and all stakeholders needed to be involved and clearly committed to the effort. Ms. McHugh hosted a conference, bringing together senior transportation and financial leadership from within DoD and the transportation industry, for one painful, but productive, day of reflection. By the end of the day there was a consensus, "this process is badly broken and needs to be fixed now."

In addition to the internal demands of cutting infrastructure costs and improving efficiencies, the commercial transportation industry openly told DoD that it was not a "customer of choice." DoD had to make drastic changes in its overall transportation documentation and related financial business processes. It was no longer acceptable to pay carriers between 30 and 90 days after delivery, and DoD could not tolerate having processing costs that could exceed the cost of the transportation itself.

Getting Started-the Initial Phase

As the champion of this management reform, Ms. McHugh initiated the project with the goal to find a solution that would be a win-win for all stakeholders. She directed a study to examine the current processes as well as commercial best practices. In addition, a prototype team representing all stakeholders for each mode of transportation tested and validated solutions using a purchase card for payment on a small scale and in a controlled environment. The findings from this study, as well as the purchase card prototype resulted in five main themes:

- Use an electronic commerce solution
- Adapt a credit card-like solution that included a 3rd Party Payment Process
- Eliminate Government-unique documentation
- Build in internal financial controls
- Provide a single, standard payment system across all modes of transportation

A Board of Directors (BoD) was established with senior representatives from the DoD transportation, finance and information technology communities and key commercial transportation companies to steer and oversee the project's implementation.

The Enabling Tool

As DoD was testing the purchase card for transportation payments, the General Services Administration (GSA) awarded one of its next generation Smart Pay credit card contracts to U.S. Bank. U.S. Bank had already recognized the unique nature of transportation transactions and identified a potential market for credit instruments. The result was the development of a freight payment tool called PowerTrack — a commercial-off-the-shelf (COTS), third-party payment system — which soon became the backbone for MRM #15. PowerTrack provides real-time information exchange through the World Wide Web and bridges the gap between DoD and carrier information systems. It collects shipment and financial data — from both shippers and carriers — in a single electronic document and makes that data available to all parties who need it over the Internet.

In the early course of implementing PowerTrack, the implementation team, led by Alan Estevez and Ken Stombaugh, discovered that it could use PowerTrack as much more than just a payment tool. Complete shipment data supports budgeting, forecasting, auditing, contract negotiations, and traffic management analyses. The data also facilitates continuous process improvement. The comprehensive data base alone is already providing significant benefits by providing DoD with a wealth of historical shipment information that was previously inaccessible.

Beyond meeting its immediate information needs, PowerTrack provides DoD a valuable foundation to manage the entire distribution process. In the past, DoD resorted to managing segments of the transportation distribution pipeline. Now DoD is gaining complete visibility of its entire transportation operations. PowerTrack provides a common, commercial business practice for all modes, and, most importantly, it provides a common system to integrate data across the entire transportation pipeline.

The New Process

When implementation is completed in December 2000, the process will be greatly simplified. The "old way" forced the Transportation Officer to enter all shipping data into one of several source shipping systems, then print and store multiple paper copies, and finally provide the commercial carriers with Government-unique transportation documentation. Once the shipment left the sight of the Transportation Officer, there was little information to track or process the shipment through the intransit,

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Shedding Anachronistic Business Practices in Federal Use of Transportation Services

The U.S. General Services Administration (GSA), Office of Governmentwide Policy (OGP), Office of Transportation and Personal Property is in the process of updating the property regulations (including those for travel and transportation). The regulations are being revised to use "plain English" language, incorporate new practices, and for functional clarity.

To allow for the use of commercial better business practices by government agencies, such as the use of the Internet for electronic commerce (e-commerce), many major changes to the current practices are required. Since 1907, the Government Bill of Lading (GBL) has been the Federal government's primary shipping document. As a mandatory and controlled form, the GBL, Optional Form 1103, and its direct descendent, the Personal Property GBL (PPGBL), Optional Form 1203, have cost and security issues associated with their use. As a paper document, the nine-page, carbon copy laden GBL presents numerous problems when migrating to e-commerce. The GBL was designed for the typewriter. GSA regulations states that the use of the paper GBL for domestic shipments will cease on September 30, 2001.

This change concerning the use of the GBL is incorporated into the April 26, 2000 Final Rule for 41 Code of Federal Regulations (CFR) 102-118, Transportation Payment and Audit, which supercedes 41 CFR 101-41, Transportation Documentation and Audit. This change is also incorporated into the Proposed Rule for 41 CFR 102-117, Transportation Management, which when finalized, will replace 41 CFR 101-40, Transportation and Traffic Management.

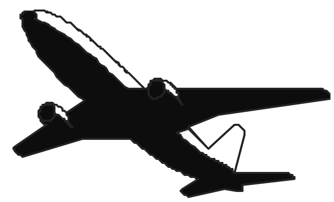
The Office of Management and Budget expects all agencies to deliver all services electronically as required under the Government Paperwork Elimination Act of 1998. This Act requires agencies to provide the option for individuals and business to submit information or conduct transactions electronically and maintain records electronically, when practical, by October 1, 2003. The domestic elimination of the paper GBL actively encourages each agency to consider electronic steps for transportation purchases.

Further reduction of the use of the GBL will allow agencies to purchase transportation services with a charge card, bill of lading, purchase order, or electronic equivalent. With these tools, agencies are free to pursue commercial best practices and streamline the procurement and purchase of Government transportation. It is the intention of the OGP to ensure that agencies have the freedom to experiment with transportation procedures that allow each agency to pursue its core mission most effectively. This means that each agency has freedom, but also the responsibility, to make decisions and handle the effects of those decisions.

Paper GBLs may still be used internationally and for domestic overseas shipments (i.e., Puerto Rico and Hawaii), since many international areas still do not accept credit cards. In order to reduce the use of cash, the GBL is the easiest way of allowing Federal agencies to perform their missions. Many international destinations are also subject to Status of Forces or Support Services Agreements. Agencies have spent many years negotiating with foreign customs to recognize the GBL as the sole indicator of a United States Government shipment. For domestic overseas services, the Carmack Amendment makes the use of GBL necessary in order to ensure that an agency can obtain full liability coverage. Use of the provisions of the Carmack Act prevents government shipments from being subject to the Carriage of Goods by Sea Act, which would dramatically limit the government's ability to recover damages from a steamship company. ▫

GSA First National Travel Conference

The U. S. General Services Administration (GSA), Office of Governmentwide Policy, the Interagency Travel Management Committee, which is a forum of approximately 100 Federal travel and financial policy managers, and the Government Executive Magazine will co-sponsor the first National Federal Travel Conference 2000: The Ticket For The New Millennium. The conference will be held in Orlando, Florida from October 30-November 1, 2000. The conference offers a valuable program with industry-wide application. Speakers who are recognized experts in their fields; topics with many implications for the future of travel management; and a vendor exhibition featuring the latest tools and technologies of the field. Four major themes guide the program:



- Exchange Information and Learn about Travel Policy Updates
- Communicate and Interact with Colleagues and Industry Reps
- Explore Innovative Changes in Travel Management
- Host to Government Executive Magazine's Travel Manager of the Year Award Ceremony (by invitation only).

Travel management is challenged by many changes as it enters the new century. Ongoing information is available on the Internet at www.nationaltravel2000.com. Any questions may be directed to Peggy DeProspero at (202) 501-2826 or Jane Groat at (202) 501-4318 at GSA. ▫

Funches, continued from page 4.

techniques and principles. Mr. Funches' office sponsors this multi-faceted series of seminars. NRC has also established an internal Financial Managers Council composed of representatives from all offices. This Council meets periodically to discuss significant financial management activities and agency program initiatives that have important resource implications. Mr. Funches is involving managers in his efforts to implement managerial cost accounting. These types of initiatives have helped raise managers' level of awareness for stewardship and accountability. It is apparent that providing managers timely and accurate report identifying their progress in meeting annual financial performance goals is a useful tool for encouraging enthusiasm in their roles as resource managers.

Audited financial statements for each agency are extremely worthwhile in terms of establishing the necessary discipline for accounting and reporting financial transactions, complying with laws and regulations, and ensuring necessary internal controls are in place. This disciplined process will go a long way toward ensuring that there is timely, useful and accurate information for decision making. Standard core requirements for financial systems have been beneficial to the overall operations of the government and will continue to result in systems that can talk to each other using standard data. The adoption by the American Institute of Certified Public Accountants (AICPA) of the Federal Accounting Standards Advisory Board (FASAB) standards, as the Federal government's official accounting standards, is one of the most significant milestones in recent months to demonstrate success in creating a standard system of financial records with recognized integrity.

The use of commercial-off-the-shelf (COTS) software has met with some successes and some failures. Overall, the concept of COTS makes sense, and in the long term, it will play a major role in modernizing the government financial systems. Agencies need to work together more closely so that each agency does not expend resources resolving identical issues during implementation. Additionally, he believes the JFMIP efforts to review and qualify financial COTS are playing a major role in making COTS a reality.

Mr. Funches believes there are opportunities to streamline the government budget process; currently, budgeting has become a year-round activity. A biennial budgeting process could lead to efficiencies. NRC has an integrated budget and performance plan for better communication and efficiency. NRC has defined their strategic and performance goals as outcomes wanted to achieve. Earlier in the implementation of GPRA, NRC worked with senior managers to define the outcomes that supported the mission. Current emphasis is to improve the alignment of outputs and activities with the outcome goals.

Some of the major impediments to successful government are inherent in issues discussed above. The inability to attract and retain qualified staff, whether or not the intent of GPRA is realized, continuation of inefficient processes, nonstandard financial systems, and inappropriate emphasis on non-value added activities all are impediments to successful government. There are several critical human resource issues facing Federal agencies today, among them are:

- Competition with private industry to recruit and retain the best employees;
- Elimination of the salary compression that has taken place in the higher grades; and
- Restoration of the American public's perception that it is worthwhile and respectable to pursue a career in the Federal government.

Mr. Funches' future goals are to: protect agency financial assets consistent with risk; use good business-like practices in planning, budgeting, and performance measurement; integrate Agency accounting, budgeting, and program systems; integrate financial cost information into NRC decision-making; and provide high quality services at reasonable cost. ❑

Carney, continued from page 5.

"chopping block." If the Department is successful and does a good job of communicating what needs to happen, then those who follow will have the tools to perform the tasks needed. Contracting out some financial management functions is also part of a comprehensive solution to the human capital shortage forecasted in the next decade. The Department of Education currently cross services their travel processing with the National Finance Center (NFC) and payroll processing with the Department of the Interior. Anything that isn't inherently governmental is contracted out. For example, most of the systems work is contracted out, and the accounting firm, Cotton & Co., provides financial statement preparation support.

Mr. Carney emphasizes that cross-training and professional development of financial managers are imperative to the future workforce. Cross training across disciplines where there is a good fit, coupled with professional development in the weaker areas of expertise, increases the success of financial managers.

A challenge currently faced by the Department of Education, along with many of the Federal agencies, is the implementation of compliant financial systems that will meet all stakeholders' expectations. The Federal agencies, for the most part are truly pioneers in the modernization of government financial systems and the ensuing production of audited financial statements. There is an insufficient history of performance for most commercial off-the-shelf software packages, in part due to changing requirements. Many success stories are based on small-scale implementations and very few, if any, unique requirements. The expectations of time and performance requirements in systems implementations can differ widely among the stakeholders. This can create unnecessary discord and hamper the efforts to arrive at the end result of accurate financial data that is relevant to both internal and external policy makers and management.

Mr. Carney emphasizes that the ability to remain flexible and maintain realistic expectations can create an environment that promotes excellence in financial management. This capability, along with knowledgeable personnel, will be needed to move Federal financial management to the next step and into the future. ❑

FASAB, continued from page 11.

Update on National Defense PP&E Acquisition Process

At the April Board meeting, Woody Jackson of KPMG gave a slide presentation to the Board on a study of the Department of Defense's acquisition process for property, plant, and equipment. The acquisition and investment process is complex and lengthy and involves multiple acquisition phases, decision milestones, and continuous modifications. The costs include those for Research, Development, Test, and Evaluation (RDT&E), prime equipment, and components critical to national defense property effectiveness. A weapons system generally consists of assets that may come from multiple acquisition programs. The current reporting:

- focuses on budget authority and estimates of cost, scheduling, and performance, and
- is designed for internal management oversight and Congressional oversight of major acquisition programs.

The Board will review the presentation materials and provide any questions to KPMG. Point of contact: Rick Wascak, 202-512-7363, wascakr.fasab@gao.gov.

Accounting and Auditing Policy Committee (AAPC) Update

On May 11, 2000, the Accounting and Auditing Policy Committee (AAPC) held its first meeting of the calendar year. The AAPC noted the departure of Joe Kull, of the National Science Foundation, and James Short, of the Office of Management and Budget. It also welcomed two new members, De Ritchie, representing the Department of Defense and the Chief Financial Officers Council, and David Zavada, representing the Office of Management and Budget.

AAPC Ongoing Projects

- Liabilities Covered and Not Covered by Budgetary Resources
- FASAB staff continues to work with the Office of Management and Budget to more clearly define "liabilities covered by budgetary resources" and "liabilities not covered by budgetary resources."

Inter-entity Costs

The Committee reviewed a draft Survey on Inter-Entity Costs prepared by the FASAB staff. The draft survey is designed to assess the scope of inter-entity costs that are not

Continued on page 19.

Retreat, continued from page 13.

accountability, integrity, and reliability. Mr. Walker posed the question, "What is the role for Government?" The focus should be on what the current needs are, not the past. No matter what the proper role of the government is, tax policy, regulatory policy, there is clearly going to be increased emphasis on moving away from hierarchical, process-oriented, silo, and inwardly-focused to results-oriented, integrated, transcending boundaries, and more externally focused (client and the taxpayer). The CFO's primary responsibility is the financial management function, in addition to getting involved in areas beyond traditional financial management. Financial management professionals are going to be called upon with greater frequency to leverage their knowledge on a range of areas. Change management, knowledge management, performance management, integration of financial management, information technology, and strategic planning are all areas the financial manager should be focused on.

Mr. Walker spoke about computer security and issues concerning human capital and its impact on the consolidated financial statement for the Government. The Y2K effort is an example of success in government. He asked the question, "Is it possible to apply the same focus to computer security when there is no perceived end date?" This is a hot topic, and it should be approached with the same intensity. People are the most important asset in the Federal government, but it's not a pretty picture in most cases. Downsizing, because of reduction in force (RIFs), hiring freezes, cutbacks, etc., has resulted in smaller government agencies, but demands on performance and work are increasing. In many cases, the missing link in results-oriented government is the people issue. His advice is to take your strategic plan, realign priorities according to the plan, institute performance awards, training, and skills inventory, and develop a reward structure to keep good employees. Although the Federal government has come a long way, there is a long way to go. It is most important to "keep score" on the right things. Increase the relevance and value for the future by focusing on results. Keep in mind that financial management and budgeting always have an impact on tomorrow, not just today.

Developing a New Vision for the Federal CFO

A session on developing a new vision for the Federal CFO was facilitated by G. Edward DeSeve, KPMG. The CFO Council members reviewed the mission and vision statements; goals and strategies, and then answered questions designed to gauge the group's sense of whether or not the CFO Council, and individual agencies, had made progress since the Council's inception in 1994. A lively discussion ensued, and several general themes emerged.

- Most agencies and CFO offices are better off than they were eight years ago, for a variety of reasons.
- A majority of Council members believe that they provide relevant service to their CEOs. It was clear that the group believes this is the future— that CFOs must continue the migration from accountants to financial advisors.

The CFO Council believed that e-commerce or e-government, the changing human resources environment, and data accessibility were the issues to address in the near future. ❑

CFO Graduation, continued from page 12.

- Lou Pennock, Defense Finance and Accounting Service, Department of Defense, completed her fellowship at National Aeronautics and Space Administration (NASA). She worked with a variety of offices within NASA to improve their control of reimbursable activities and to implement the agency's financial system.
- Deborah Staton-Wright, Food and Nutrition Service,USDA worked at the Office of the CFO at Agriculture, where she helped design the USDA's Integrated Agency-wide Planning System. She also worked with the CFO Council's Human Resources Committee to improve the quality and availability of new financial staff through the Government-wide Recruitment Consortium.
- Tyndall Traversa, National Oceanic and Atmospheric Administration (NOAA) completed her fellowship at the National Institute of Standards and Technology (NIST), Commerce Department. She ensured NIST's Working Capital Fund was well managed and helped the financial organization develop through benchmarking, customer service and other initiatives.

We congratulate the 2000 Class of CFO Council Fellows and wish them well in their future endeavors. ❑

New JFMIP Staff

Carla Kohler, a CFO Fellow from the Defense Finance and Accounting Service (DFAS)-Kansas City Center joined JFMIP in May for a one-year developmental assignment. Ms.Kohler was a supervisory accountant at DFAS. She has a Bachelor of Science in Business Administration/Accounting. She is a Certified Public Accountant and a Certified Government Financial Manager. Ms. Kohler is working on the finalization of the JFMIP Property System Requirements, and working on interagency projects co-sponsored by the CFO Council. One project will assist agencies in identifying ways to improve financial system development and implementation in the recruitment, retention and professional development of personnel working on project teams. This rotational assignment will provide Carla the opportunity to network with senior agency executives, develop financial system requirements, and work on other interagency projects that will benefit government financial management practices and policies.

Carla Kohler

Women's Executive Leadership (WEL) participant, Irene Lucas joined the JFMIP staff in late April for a 45-day developmental assignment. She is a Financial Management Specialist with the Department of State, Bureau of Finance, Management and Policy. Her career background in the transportation field, contracting, finance, and human resources issues proved to be a valuable asset working with JFMIP projects on these topics. She has worked on the proposed changes for transportation of goods and services by the Federal agencies. The GSA is planning to eliminate the paper Government Bill of Lading form.

Ms. Lucas obtained hands-on experience in finalizing the grant financial system requirement document, in the development of a draft document for the benefit system requirements, and the analysis of comments on the property system requirement document. She assisted in the logistical planning of the open house forum on JFMIP software testing policy for core financial systems, and the incremental test for FACTS II.

She also worked on a project to improve the recruitment and professional development of project managers and team members working on financial system implementation. ❑

New Online Federal Training Initiative

Lead your agency into the new training millennium with the latest technology tool for Federal training, the Federal Learning eXchange (FLX). FLX (www.flx.gov) is a one-stop electronic information center for Federal agencies, departments, employees and other individual learners interested in education and training within the Federal government. FLX makes information about agency and department training and course offerings available to Federal employees across the country and, where appropriate, to the American public.

Here are some of the advantages of using FLX

- Save time and money through a network link of career advancement and learning opportunities for your agency's employees.
- Access resource opportunities for sharing space, facilities, and courseware with federal counterparts.
- Fill seats in your courses, workshops, and seminars by listing your seats available for enrollment in FLX.
- Share experiences, discuss issues and current topics with other training professionals, and get answers to important questions.
- Learn what your colleagues are doing in training and human development.
- Perhaps, best of all, FLX is a free resource for agencies, departments and individual learners.

To build the most complete database, FLX needs to list agencies' courses, seminars, training videos and other learning resources. Please contact Etta Williams at 202-219-6075 x172; e-mail williams@flx.gov or fax 202-219-6523. Visit the Web site and register your agency's offerings at www.flx.gov/provreg.asp. ❑

Defense, continued from page 14.

delivery, payment, and post-payment processes. In the new process, the Transportation Officer is accountable for the shipment from pickup to delivery. PowerTrack provides one database for complete shipment and payment data that can be accessed by all interested parties.

Once the Transportation Officer receives notification of service completion in PowerTrack, he or she can review the transaction for approval. Upon approval, the carrier receives electronic payment from U.S. Bank within 3 business days.

Meeting the Challenge

Like most large-scale organizational changes, there are always challenges that need to be faced and resolved. The challenges fall into several categories: stakeholder commitment, technical infrastructure, process training, security, and Internet connectivity or performance.

The challenge for this management reform was to "cultivate the believers" and "seek out the skeptics." For example, in the beginning, DoD had to convince its commercial transportation carriers that a 1%-2% fee to U.S. Bank would be offset by the benefits of being paid more quickly-within 3 business days and by eliminating unnecessary infrastructure maintained just for DoD accounts. DoD facilitated many stakeholder sessions to help the carriers see the value of implementing PowerTrack.

The technical infrastructure across various modes and sites also presented a challenge to implementation of PowerTrack. For example, an Internet solution can provide easy access at reduced costs; however, there are underlying infrastructure considerations that have to be in place to make it work. DoD found various levels of communications capabilities and configurations at each of its 550 shipping locations — some more robust and sophisticated than others.

Process and user training soon became a primary focus as DoD moved forward with implementation. Training had to be comprehensive and address technical and process aspects as well as overall elements of coping with change. Training was offered through structured classroom sessions, Computer Based Training (CBTs), on-site assistance, and other learning aids, such as a 24-hour Help line.

Security was another issue that DoD encountered. For example, in some instances Military Department security policies and systems firewalls can impact easy and timely access to the Internet. In order for PowerTrack to be fully utilized and have base level connectivity optimized, DoD needed to define base-level communications requirements and ensure communications infrastructure could support e-commerce business applications without sacrificing security requirements. Accordingly, it was important for DoD to define requirements and put in place solutions to address these performance issues without jeopardizing security requirements.

MRM #15 Status

Following completion of the prototypes, implementation of MRM #15 began in February 1999. At the beginning of June 2000, PowerTrack was being used at about 225 DoD shipping sites, representing approximately 75% of the DoD's transportation transaction volume (66% of the transportation dollars). DoD is on target for complete implementation for domestic freight and outbound international express as well as sealift container movements by December 2000.

Since February 1, 1999, DoD has processed nearly 900,000 transactions using the new MRM #15 processes. The DFAS workload represented by these 900,000 transactions has dropped by 98%, since DFAS is only processing transactions at a summary level on a monthly basis instead of the individual transaction level prior to the implementation of MRM#15 processes. Additionally, this new payment process is used for all modes of transportation; thus, DoD has achieved its goal of developing a standard payment process for transportation movements — regardless of mode of delivery.

What Lies Ahead…

The fundamental change in DoD's transportation documentation and financial processes has been tremendous. However, there is much to be done. The primary focus in the months ahead will be to institutionalize the reengineered business processes across the Department. While change is never easy, DoD's transportation and financial communities have successfully embraced the change and continue to strive hard to attain their goal of complete implementation by December 2000. This change was made possible through partnerships with both the commercial carrier industry and U.S. Bank and by the strong commitment of the senior DoD leadership.

For more information, contact Kenneth Stombaugh by email at kstombau@acq.osd.mil. ▫

FASAB, continued form page 17.

reimbursed or only partially reimbursed. Once the survey has been reviewed and approved, the AAPC will distribute the survey to the Chief Financial Officers of Federal agencies, who will have until the end of the summer to respond. The Committee will use the survey results to identify specific inter-entity costs incurred by agencies and determine whether they meet the recognition criteria in SFFAS 4, Managerial Cost Accounting Concepts and Standards.

Stewardship Land and Heritage Assets

The AAPC task force on Stewardship Land and Heritage Assets is continuing its regular meetings to develop an implementation guide for agencies to report stewardship land and heritage assets in consonance with the changes to stewardship reporting being deliberated by the FASAB.

Investments in Treasury Securities Not Expected to be Held to Maturity

The Railroad Retirement Board submitted this issue to the AAPC. After initial research, the Committee determined that there might be a need for an accounting standard. Consequently, they decided to refer the issue to the FASAB.

AAPC New Projects

Proposed Implementation Guide to SFFAS 10, Accounting for Internal Use Software. The CFO Council submitted this issue. AAPC member Frank Sullivan of the Department of Veterans Affairs, will chair this task force.

Request for Guidance on Grant Accounting: This issue, submitted by the Federal Aviation Administration, deals with recognizing a liability for expenses incurred by a grantee after a letter of intent has been issued but before the grant agreement is executed. AAPC member Luise Jordan, Corporation for National and Community Service, will chair this task force. Point of contact: Monica R. Valentine, 202-512-7362, valentinem.fasab@gao.gov. ▫

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